

OAKTREE CAPITAL MANAGEMENT, L.P.

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Form ADV Part 2A - the Brochure

Updated: April 24, 2017

This Brochure provides information about the qualifications and business practices of Oaktree Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at (213) 830-6300. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Pursuant to an exemption from the Commodity Futures Trading Commission in connection with the accounts of Qualified Eligible Persons, this brochure or account document is not required to be, and has not been filed with the Commission. The Commodity Futures Trading Commission does not pass upon the merits of participating in a trading program or upon the adequacy or accuracy of Commodity Trading Advisor disclosure. Consequently, the Commodity Futures Trading Commission has not reviewed or approved this trading program or this brochure or account document.

Additional information about Oaktree Capital Management, L.P. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ITEM 2. MATERIAL CHANGES

There have been no material changes since the last update, dated March 30, 2017. Material changes since the November 25, 2016 update include additional disclosures regarding Oaktree's fees and expenses set forth in Item 5, risks associated with borrowing set forth in Item 8, and client transactions set forth in Item 11.

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## ITEM 4. ADVISORY BUSINESS

Oaktree Capital Management, L.P. ("Oaktree" or "we") was founded in April 1995 and is a leader among global investment managers specializing in alternative investments. Oaktree manages assets across a wide range of investment strategies within six asset classes: distressed debt, corporate debt, control investing, convertible securities, real estate and listed equities, which are described more fully in Item 8 below.

Oaktree offers investment advisory services in the investment strategies more fully described in Item 8 below to clients with separately managed accounts ("Managed Accounts") and to private limited partnerships and other pooled investment vehicles ("Managed Funds") for which either Oaktree or an affiliate acts as general partner and/or investment manager. Our Managed Funds may include any separately managed accounts structured as a limited partnership or limited liability company managed by us with the client as the limited partner or non-managing member. Our Managed Accounts and Managed Funds are sometimes referred to in this brochure collectively as "accounts."

In connection with Managed Accounts, clients establish such accounts with Oaktree by depositing funds or securities into accounts maintained by qualified independent custodians and granting Oaktree discretionary authority to invest such funds pursuant to each client's investment needs, objectives, and restrictions as stated in each client's management agreement and other account documentation with Oaktree. For Managed Funds, the investment objectives and restrictions are detailed in the relevant Managed Fund's governing documents.

The principal owners (defined as any person who owns 25% or more) of Oaktree are Oaktree Capital Group Holdings, L.P. and Oaktree Holdings, Inc.

References to Oaktree and we, as the context requires, include non-U.S. affiliates that provide investment advisory services to accounts. Such affiliates are considered relying advisers and are more fully described under Item 10 below.

As of December 31, 2016, we managed \$108,751,214,113 on a discretionary basis, and \$504,506,138 on a non-discretionary basis. These amounts reflect regulatory assets under management as calculated in Part I of our Form ADV.

## ITEM 5. FEES AND COMPENSATION

### A. COMPENSATION FOR ADVISORY SERVICES

The description below of our fees and compensation is intended to provide a brief summary of the more typical fee structures shared by certain types of our accounts and is not intended to depict every scenario where such structures may differ. Please refer to our accounts' governing documents for specific details.

#### (1) Management Fees

As investment adviser or sub-adviser of the Managed Funds, Oaktree or its affiliates generally receives management fees on a monthly or quarterly basis based on annual fee rates, the amount of which varies depending upon the relevant Managed Fund, and is set forth within the terms of the relevant governing document, investment management agreement or sub-advisory agreement of such Managed Fund.

In the case of our closed-end Managed Funds, management fees during the investment period of such funds are typically calculated as a fixed percentage, in the range of 0.85% to 1.75% per year, based on either (i) total committed capital (through the final close, these fees are earned on a retroactive basis to the start of such fund's investment period) or (ii) total invested capital, which may include drawn capital or borrowings incurred in lieu of drawing capital. Additional fees may be charged, at the discretion of Oaktree, to cover administrative expenses incurred by Oaktree and/or its affiliates in cases where the committed capital is lower than the stated minimum capital amount. During the liquidation period of the closed-end Managed Funds, the management fee generally remains the same fixed percentage, applied against the lesser of the total funded capital and the cost basis of assets during the liquidation period. Oaktree's right to receive management fees from a closed-end Managed Fund typically ends after 10 or 11 years from the start of such fund's investment period, even if assets remain to be liquidated.

For Oaktree's open-end and evergreen Managed Funds, the management fee is generally based on the net asset value of the relevant fund. Generally, our open-end Managed Funds typically pay management fees ranging from 0.50% to 0.65% of net asset value of the relevant fund per year, paid monthly or quarterly. Our evergreen Managed Funds pay a management fee typically quarterly, ranging from 1.0% to 2.0% per year, based on a fixed percentage of the net asset value of the relevant fund.

Additionally, collateral management fees for certain of our Managed Funds that are structured as collateralized loan obligation vehicles ("CLOs") are payable in arrears only to the extent that funds are available in accordance with the priority of payments described in the governing documents of such CLOs and may include a performance fee in the event that certain subordinated note return thresholds are exceeded.

Management fees per annum for Managed Accounts in Oaktree's open-end strategies typically range from 0.50% to 0.65% of such account's net asset value; however, these fees are subject to change. Management fees for Managed Accounts in other strategies are negotiated between Oaktree and the client and take into consideration the scope of management involved, the size of the account, and the particular investment objectives and needs of each client.

Oaktree also provides clients with asset allocation investment management, which combines the discretionary allocations of multiple investment strategies. Assets in an asset allocation account may be allocated and managed by Oaktree in Managed Accounts or Managed Funds. An asset allocation account may be charged a flat fee, or in accordance with the applicable fee (or weighted average) for the Managed Account or Managed Fund in which the assets are invested, as negotiated by the client and Oaktree.

From time to time Oaktree may in its sole discretion afford certain investors in Managed Funds or clients of Managed Accounts more favorable economic terms than other investors in the same Managed Fund or

other clients of Managed Accounts within the same or similar investment strategy, including with respect to both management and performance-based fees, generally based on the timing and aggregate size of commitments of such investor or client, as applicable, to one or more accounts managed by Oaktree or its affiliates.

(2) Performance-Based Compensation

Oaktree or its affiliates has the potential to earn performance-based compensation in the form of performance fees or profit/incentive allocations from our closed-end and evergreen Managed Funds. The amount of such performance-based compensation and the calculation and timing of payment of such compensation are set forth in the terms of the governing documents of such Managed Fund. Generally for closed-end Managed Funds, we are entitled to receive up to 20% of the realized profits of a fund's aggregate investments after such fund first distributes all contributed capital from the inception of the fund plus an annual preferred return, typically 8%, to its investors. As a result, Oaktree generally receives a profit or incentive allocation from a closed-end Managed Fund, if any, in the latter part of a fund's life, although earlier in such fund's term we may receive tax distributions to cover our allocable share of income taxes.

With respect to certain of our evergreen Managed Funds, we generally receive annual performance-based compensation up to 20% of the year's profits, subject to either a high-water mark or hurdle rate. A high-water mark refers to the highest historical net asset value attributable to an investor's account. For funds that have a high-water mark, this means that Oaktree does not earn annual incentive fees with respect to an investor in such fund if such investor's year-end net asset value is lower than any prior year's net asset value, excluding any contributions or redemptions.

Certain Managed Accounts pay performance-based fees based on terms reflected in the investment management agreement. In the case of certain open-end and evergreen Managed Funds and certain Managed Accounts, in lieu of charging the regular management fee applicable to the relevant strategy, Oaktree has the potential to earn performance-based fees, typically in reference to a relevant benchmark index or hurdle rate.

Generally, any eligible Oaktree employee, former employee, Senior Advisor (as defined below), officer or director (or their respective family trusts or other estate planning vehicles which they control) who invests their own capital in any Managed Funds or receives ownership in a particular investment or Managed Fund as compensation are not subject to paying any performance-based fees to Oaktree or its affiliates.

**B. DEDUCTION OF FEES**

**Management Fees.** For Managed Accounts, clients are generally billed directly for management fees. For Managed Funds, the management fees are typically deducted from the assets of the Managed Fund.

**Performance-Based Compensation.** For Managed Accounts, clients are generally billed directly for performance-based compensation, if any. For Managed Funds, performance-based compensation is allocated and paid to Oaktree or its affiliates from the assets of the Managed Fund.

**Timing.** Generally, management fees for Managed Accounts are charged quarterly. To the extent that a Managed Account is in existence less than a full calendar quarter, the management fee will be pro-rated. For Managed Funds, management fees may be charged either quarterly or monthly. To the extent that a Managed Fund is in existence less than a full calendar quarter or month, the respective management fee will be pro-rated.

**C. OTHER TYPES OF FEES OR EXPENSES**

Subject to its governing documents, an account may also bear all out-of-pocket costs, fees, expenses and liabilities that are incurred by, or arise out of the operation and activities of or otherwise are related to, such account, including those incurred by Oaktree or its affiliates on behalf of or are allocable to such account, including, without limitation:



- costs, fees, expenses and liabilities relating to the sourcing, developing, evaluating, negotiating, structuring, acquiring, holding, administering, monitoring, financing, refinancing, managing, disposing and hedging investments (and proposed but unconsummated investments, as applicable) (including reasonable travel and related expenses associated therewith, which may include business or first class airfare and, in limited circumstances, private air travel (including reimbursement of Oaktree or its employees for the use of aircraft owned or leased by them), in each case, consistent with Oaktree's travel policies), including appraiser, retainer, finder, placement, adviser, consultant on an exclusive/non-exclusive basis (including Senior Advisors), custodian, sub-custodian, depository, transfer agent, disbursal, brokerage, registration, sales, leasing, development, and loan servicing commissions or fees, legal and other similar costs, fees and expenses, in each case, to the extent that such costs, fees and expenses are not reimbursed by a portfolio company or other third person;
- Bloomberg fees, research and software expenses, and other expenses incurred in connection with data services providing price feeds, news feeds, securities and company information, company fundamental data, and "S&P Index Alerts" attributable to such investments;
- costs, fees and expenses for other third party research, news, industry information, analytics and expert networks/research resources;
- costs, fees and expenses for support services (including data processing, trading, settlement, client relations, accounting, legal and tax support and other services) outsourced to exclusive/non-exclusive third party service providers;
- legal, compliance, custodial, depository, trading, settlement, client relations, auditing, accounting and banking costs, fees and expenses, including for example costs, fees and expenses attributable to legal, compliance, trading, settlement, client relations, accounting, reporting and information management software and systems used in connection with an account and its activities as well as, in the case of a Managed Fund, those associated with the preparation of financial statements, tax returns and Schedule K-1s, the filing of various foreign tax withholding and treaty forms and the representation of a Managed Fund or its investors by the tax matters partner for such Managed Fund;
- appraisal and valuation costs, fees and expenses, including costs, fees and expenses of independent appraisal or valuation services or third party vendor price quotations;
- costs, fees and expenses related to organizing persons, including any alternative investment vehicle, through or in which investments may be made;
- costs, fees and expenses that are classified as extraordinary expenses under generally accepted accounting principles;
- premiums and fees for insurance to benefit, directly or indirectly, such entities, the holders of interests therein, Oaktree or its affiliates or their respective shareholders, partners, members, officers, directors, employees, and agents, with respect to liabilities to any person in connection with the affairs of such entities and for directors' and officers' liability insurance or other similar insurance policies, including errors and omissions insurance and financial institution bond insurance;
- taxes and other governmental charges, fees and duties;
- damages and other costs, fees and expenses relating to litigation or other matters that are the subject of the indemnification rights;
- costs of reporting to regulatory authorities in any jurisdiction in which an account, Oaktree, an Oaktree affiliate or any portfolio company or other entity owned directly or indirectly by an account invests, is organized or is marketed or otherwise directly or indirectly conducts business related to an account or its investments, including without limitation the SEC, the CFTC, the NFA, the U.S. Treasury, the U.S. Internal Revenue Service and other national, state, provincial or local regulatory authorities in any country or territory (for example, Form PF and Form CPO-PQR in the United States and filings related to the offering of Managed Fund interests in particular jurisdictions), and any costs associated with outsourcing the completion of such reports, provided that the costs of Oaktree's general compliance with the Advisers Act, such as preparation and updating of Form ADV, will be borne by Oaktree;
- costs, fees and expenses of reporting to investors and meetings of investors;

- costs, fees and expenses relating to the incurrence and repayment of indebtedness (together with any interest and other amounts payable thereon and fees and expenses related thereto) of a Managed Fund;
- in the case of a Managed Fund that has an investors committee, the expenses of such committee;
- costs, fees and expenses of winding up and dissolution; and
- the allocable portion of the costs (including compensation, benefits, and attributable overhead) incurred by Oaktree or its affiliates with respect to internal resources that provide any of the services described above to an account; provided that such allocated amounts shall not exceed market rates for comparable qualified service providers. The allocation of any such expenses is documented and disclosed to the investor committee of the respective Managed Fund, if applicable, no less than on an annual basis.

Certain expenses borne by a Managed Fund may have the effect of benefiting one or more investors or group of investors in such Managed Fund without benefiting all investors in such Managed Fund. Each Managed Fund will also bear all offering and organizational expenses up to an amount specified in the relevant fund's governing documents. In general, organizational expenses in excess of the prescribed amount set forth in each fund's governing documents will be borne by Oaktree through a 100% offset against the management fees.

Generally, for Managed Funds and certain Managed Accounts, any transaction and monitoring fees (including fees and income paid by portfolio companies), directors' fees, break-up fees or other similar fees received by Oaktree or its affiliates in connection with a fund's investments, net of any related expenses paid by Oaktree or its affiliates ("Deal Fees"), will reduce on a dollar-for-dollar basis the applicable management fee and, to the extent necessary to absorb any excess Deal Fees, performance-based compensation otherwise payable to Oaktree or its affiliates. The reduction of the management fee and, to the extent necessary, the performance-based compensation with respect to Deal Fees received relating to an investment held by more than one account, will be allocated pro-rata between the accounts on the basis of their respective invested capital in the investment giving rise to such Deal Fees. Any award of a stock option or other non-cash compensation in the ordinary course received by any employee of Oaktree or its affiliates in connection with an investment by a Managed Fund generally will not offset the management fee unless such stock option or other non-cash compensation has been transferred directly to Oaktree under the applicable documents or agreements governing such option or other non-cash compensation and Oaktree actually monetizes or otherwise realizes value of such stock option or other non-cash compensation.

Additionally, services that Oaktree has outsourced in whole or in part to third parties in the discretion of Oaktree or its affiliates include, without limitation, accounting, tax, human resources, client services, compliance, trade settlement, information technology or legal services (collectively, "outsourcing"). Outsourcing may not occur uniformly for Managed Funds or Managed Accounts and, accordingly, certain costs may be incurred by an account through the use of third party service providers that are not incurred for comparable services used by other accounts. The decision by Oaktree to initially perform particular services in-house for an account will not preclude a later decision to outsource such services, or any additional services, in whole or in part to third parties. The costs, fees or expenses of any such third party service provider will be borne by the relevant account.

Oaktree may from time to time retain consultants or transition former Oaktree employees to consultant status to provide assistance with deal sourcing, industry insight or due diligence, offer financial and structuring advice and perform other services for accounts or their respective portfolio companies ("Senior Advisors"). Such services may be provided on an exclusive basis. An account's share of any retainers, success fees and other fees charged by Senior Advisors as well as travel costs and out-of-pocket expenses incurred by Senior Advisors in connection with the provision of their services are borne by the account. Office, accounting, network, administration and other support benefits may be provided by Oaktree to Senior Advisors without charge. While such Senior Advisor fees are believed to be reasonable and generally at market rates for the relevant services provided, because of the exclusive arrangements Senior Advisor fees may not always be comparable to costs, fees and expenses charged by other third parties. Amounts received by Senior Advisors in connection with their services, including any amounts paid in connection with particular transactions or



investments, are not considered Deal Fees and consequently will not reduce the management fee paid by an account. Senior Advisors may be granted the right to participate alongside an account in transactions that they source or for which they provide advice. Such co-investment rights may result in an account investing less capital than it otherwise would have in such transactions. In addition, such Senior Advisors may invest directly in a Managed Fund as a limited partner. Senior Advisors may also serve on the boards of portfolio companies or as employees or consultants in an operations capacity. Any directors' fees, salaries, consultant fees, other cash compensation, stock options or other compensation received by Senior Advisors in such capacities will be borne by the portfolio companies, will not be considered Deal Fees and consequently will not reduce the management fee paid to Oaktree or its affiliates by an account.

With respect to former Oaktree employees who become Senior Advisors, the fees and expenses associated with retaining such Senior Advisors will be considered an account expense only if the former employee is permanently terminating their employment with Oaktree. Services provided by these Senior Advisors may include, without limitation, providing services directly to the account's portfolio companies or an individual portfolio company, whether as an employee or service provider of such portfolio company, and will otherwise conform to the description of the role of Senior Advisors above.

Please refer to the terms of an account's governing documents for a more detailed description of the expenses to be borne by a particular account. In connection with Managed Funds, expenses of any feeder fund will generally be treated as fund expenses and borne by its associated master fund. Oaktree or its affiliates, as applicable, are entitled to reimbursement from an account to the extent Oaktree or its affiliate pays or incurs any fee, cost or expense on behalf of that account that should otherwise be borne by such account.

Please also see Item 12 of this brochure for a discussion of our brokerage practices.

#### D. FEES PAID IN ADVANCE AND REFUNDS

Depending on the Managed Fund, management fees may be charged in advance or in arrears. Management fees for our Managed Accounts are generally charged in arrears.

An investor in our open-end or evergreen Managed Funds that is paying fees in advance has the ability to withdraw from such fund, as applicable, and Oaktree has the ability to terminate its services with an open-end or evergreen Managed Fund, in either case in accordance with the terms of the applicable governing document. However, investors are generally not permitted to withdraw prior to the period covered by such fees.

An investor in our closed-end Managed Funds generally does not have the ability to withdraw from the closed-end fund, except under certain limited circumstances.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Consistent with the provisions of Rule 205-3 under the Investment Advisers Act of 1940 and as discussed under Item 5 above, Oaktree or its affiliated general partners may be entitled to performance-based compensation in connection with its accounts, depending upon the nature and investment strategy of the account.

Oaktree manages accounts that pay a performance-based fee (and an asset-based fee) and accounts that are only charged an asset-based fee. These accounts may be in the same strategy and may consider similar investments. Performance-based fee arrangements may create an incentive for Oaktree to recommend investments to such accounts which may be riskier, more speculative, or potentially more profitable than those which would be recommended under a different fee arrangement. Each of our accounts' investment approach, strategy and focus are defined in its respective governing documents, and we have developed allocation guidelines, subject to certain investment considerations, to handle potential conflicts in relation to investment overlaps among all accounts, including those with different fee structures. Oaktree will seek to manage potential conflicts of interest in good faith, and subject to the provisions of the governing documents of the affected accounts, Oaktree will be guided

by its fiduciary duties to its clients on any matter involving a conflict of interest. See Item 12 below for a discussion of our allocation guidelines.

## ITEM 7. TYPES OF CLIENTS

As previously mentioned, Oaktree provides advisory services to both Managed Accounts and Managed Funds. The types of clients which establish Managed Accounts include, but are not limited to, U.S. mutual funds and non-U.S. registered funds (e.g., Undertakings for Collective Investments in Transferable Securities known as UCITS), pension and profit sharing plans, trusts, estates, governmental plans, endowments, foundations, charitable organizations, corporations, insurance companies, limited partnerships, commingled investment trusts, sovereign wealth funds and other entities.

In connection with a Managed Fund, investors are required to commit or contribute certain minimum capital amounts which vary among, and are disclosed in the governing documents of, each Managed Fund. The minimum commitment or contribution amounts generally range from \$2 to \$10 million depending on the Managed Fund. Minimum commitment or contribution amounts may be waived at the discretion of the general partner or investment adviser for such Managed Fund, including those for Oaktree employees. All minimums are subject to change at the discretion of the general partner or investment adviser, as applicable. In addition, investors in our Managed Funds must be (i) “accredited investors” within the meaning of Rule 501(a) under the U.S. Securities Act of 1933, as amended, or qualify as other types of investors under applicable U.S. or non-U.S. securities laws, and (ii) “qualified purchasers” within the meaning of Section 2(a)(51) and Rule 2a51-1 under the U.S. Investment Company Act of 1940, as amended.

Generally, Oaktree requires a minimum dollar value of \$100 million to establish a Managed Account in certain of its strategies set forth below; provided, however Oaktree may, at any time, waive such minimums in its sole discretion and accept a lesser amount.

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

Oaktree generally uses fundamental analysis, and may engage in long term or short term purchases, trading (securities purchased and sold within 30 days), short sales in certain strategies, margin transactions, and option writing, including covered options, uncovered options or spreading strategies.

As mentioned previously, Oaktree provides overall discretionary management for accounts within six asset classes. Below are descriptions of the strategies within those asset classes. In addition to those detailed, Oaktree also manages accounts in the multi-asset solutions asset class, that afford exposure to different combinations of certain of the below strategies.

#### (1) DISTRESSED DEBT

Our distressed debt asset class includes our distressed opportunities, value opportunities and emerging markets opportunities strategies.

Our distressed opportunities strategy seeks capital appreciation without undue risk of loss primarily through investments in debt or equity securities or other obligations, in connection with episodes of financial distress, at discounts to their original value and by realizing gains through sales of restructured debt obligations or newly issued securities obtained through exchanges resulting from reorganizations and restructurings.

Our value opportunities strategy seeks to capitalize on opportunities for substantial capital appreciation without subjecting principal to undue risk of loss by investing mainly in distressed debt and other value-oriented investments for which there is generally a liquid market.



Our emerging markets opportunities strategy seeks to achieve attractive, risk-adjusted returns by opportunistically investing in stressed, distressed and other value-oriented investments in emerging markets.

(2) CORPORATE DEBT

Our corporate debt asset class pursues investments in the following strategies: U.S. high yield bonds, European high yield bonds, global high yield bonds, U.S. senior loans, European senior loans, European high yield bonds and senior loans, U.S. Private Debt, strategic credit, European private debt and emerging markets debt total return.

Our U.S. and European high yield bond strategies invest in U.S. and European below investment-grade fixed income securities or debt obligations. They seek to generate consistent superior risk-adjusted returns by investing in a diversified portfolio of high yield debt securities and obligations.

As a natural extension of our U.S. and European high yield bond strategies, Oaktree's global high yield bond strategy targets the most attractive risk/return opportunities we identify across the developed world. Our global high yield bond strategy seeks to achieve superior risk-adjusted returns by investing in the lower-rated yet creditworthy performing bonds, primarily of North American and European corporations.

Our senior loan strategies seek to achieve an attractive total return without subjecting principal to undue risk of loss. The U.S. senior loan strategy seeks to achieve this objective primarily through investments in U.S. dollar-denominated senior loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their operations, assets or business located in the United States or Canada. Although not a primary focus, this strategy may also invest in companies which have a significant portion of their operations or assets outside of the United States or Canada. These investments may be made on a leveraged basis in our enhanced income funds or collateralized loan obligation vehicles. The European senior loan strategy seeks investments in senior loans and other senior debt instruments of borrowers that are organized or have a substantial portion of their operations, assets or business located in Europe.

Our European High Yield Bond and Senior Loan strategy seeks to achieve superior risk-adjusted returns over credit cycles through selective investment in high quality borrowers, with an emphasis on income and long-term growth.

Our U.S. Private Debt strategy seeks to achieve attractive, risk-adjusted absolute returns by originating or participating in the syndication of performing debt issued privately by U.S. borrowers. Investments are generally used to finance leveraged buyouts, recapitalizations, capital expenditures and corporate acquisitions.

Our strategic credit strategy seeks to achieve an attractive total return generally on an unleveraged basis by investing in stressed credits across geographies (primarily the United States and Europe) and credit asset classes.

Our European private debt strategy seeks to achieve attractive, risk-adjusted absolute returns by making primary debt investments in European companies.

Our emerging markets debt total return strategy seeks to achieve an attractive total return by investing primarily in performing emerging market credit-oriented instruments on an unleveraged basis.

Oaktree also manages various "global" strategies, which combines certain of the regional-specific strategies described in this asset class.

(3) CONTROL INVESTING

Our control investing asset class pursues investments in the following strategies: special situations, European principal, , power opportunities and infrastructure investing.

Our special situations strategy makes control-oriented debt and equity investments in middle-market companies that have an element of distress, dislocation or dysfunction and that we perceive to be

undervalued. The strategy will generally attempt to structure investments with a goal of obtaining control of, or significant influence in, companies. Our European principal strategy has similar investment objectives as our special situations strategy but focus their investments within Europe.

Our power opportunities strategy seeks to make controlling equity investments in companies providing equipment, software and services to aid in the generation, transmission, distribution, marketing, trading and consumption of power and natural gas and related energy services.

Our infrastructure investing strategy seeks to pursue controlling or influential minority investments in infrastructure assets and businesses, primarily in North America.

(4) CONVERTIBLE SECURITIES

Our convertible securities asset class pursues investments in the following strategies: U.S. convertibles, non-U.S. convertibles and high income convertibles.

Our U.S. and non-U.S. convertible securities strategies seek total return from current income and capital appreciation through investments in convertible securities within their targeted regions.

Our high income convertible strategy seeks a high level of total return through a combination of current income, accretion to par and capital appreciation by investing principally in convertible securities that may fall within the category of high income (or "busted") convertibles.

Oaktree also manages various "global" strategies, which combines certain of the regional-specific strategies described in this asset class.

(5) REAL ESTATE

Our real estate asset class pursues investments in the following strategies: real estate opportunities, real estate value-add and real estate debt.

Our real estate opportunities strategy seeks superior risk-adjusted returns through investments in real estate and real estate-related assets on a global basis. The strategy involves investing in a variety of real estate-related investments, including real property, real estate companies and other companies with significant real estate assets as well as real estate-related debt and equity securities.

The real estate value-add strategy seeks to achieve superior risk-adjusted returns through investments in high-quality real estate assets with an emphasis on income and long-term growth.

Our real estate debt strategy seeks to generate attractive risk-adjusted returns and current income by combining a diversified portfolio of performing real estate debt investments with modest leverage.

(6) LISTED EQUITIES

Our listed equities asset class pursues investments in the following strategies: emerging markets absolute return, emerging markets equities and value equities.

Our emerging markets absolute return strategy invests in the equity and, to a lesser extent, the debt and derivative securities of entities in emerging and developed markets in Asia and the Pacific region and emerging markets in other parts of the world. This strategy utilizes long and, to a lesser extent, short positions, without significant leverage, in its effort to achieve substantial total returns while reducing exposure to macro factors. Oaktree also manages a long-only emerging markets equities strategy in addition to its absolute return strategy. The emerging markets equities strategy has a geographic focus and investment objective that is similar to the absolute return strategy, but it will utilize only long positions in its effort to achieve its investment objective.

Our value equities strategy seeks to achieve attractive, risk-adjusted returns by opportunistically assembling and managing an unleveraged, concentrated portfolio of stressed, post-reorganization and value equities that offer asymmetric return profiles.

In addition to the funds within the six asset classes described above, Oaktree also manages certain funds within the following strategies that are winding down and no longer accepting new clients: European Credit Opportunities, High Yield Plus, Japan Opportunities and Asia Principal.

## B. MATERIAL RISKS

Each of the strategies we employ entails substantial inherent risks. Although we attempt to manage these risks through careful research, ongoing monitoring of investments, active participation in the bankruptcy process (where applicable) and appropriate hedging techniques (where permissible), there can be no assurance that the securities and other instruments purchased which are the focus of our strategies will increase in value or that our accounts will not incur significant losses. The following discusses certain material risks for each significant investment strategy or method of analysis we use. For a more complete description of the specific risk factors relevant to a decision to invest in one of our Managed Funds, investors should refer to the confidential private placement memorandum for the relevant Managed Fund.

### (1) INVESTMENT ENVIRONMENT

Our strategies could be materially adversely affected by instability in the U.S. or global financial markets, or changes in market, economic, political or regulatory conditions, as well as by other factors outside our control. Interest rates and general levels of economic activity may affect the value and number of investments we make or consider for prospective investment. In addition, disruptions in the global debt markets may affect the price of, as well as the ability to make, certain types of investments, and there can be no assurance that any such disruption will not continue or worsen in the future. Moreover, the risk that such disruptions will affect an issuer's ability to pay its debts and obligations when due is enhanced if such issuer in turn provides credit to third parties or otherwise participates in the credit markets. In addition, developments in the U.S. and global financial markets have illustrated that the current environment is one of uncertainty for financial services companies. The existence of such events has had, and the continuation or worsening of any such events, or other similar or dissimilar events, may have or continue to have, a material adverse effect on the availability of credit to businesses generally and may lead to further overall weakening of the U.S. and global economies.

### (2) CURRENT MARKET CONDITIONS AND GOVERNMENTAL ACTIONS

Within the past several years, world financial markets have experienced extraordinary market conditions. In reaction to these events, regulators in the United States and several other countries have undertaken and continue to undertake unprecedented regulatory action to stabilize U.S. and global financial markets. It is uncertain whether regulatory actions will be able to prevent losses and volatility in securities markets, or stimulate the credit markets. Additionally, there may be significant new regulations that could limit investment opportunities or change the functioning of the capital markets, and there is the possibility of a severe worldwide economic downturn.

### (3) BUSINESS AND REGULATORY RISKS OF ALTERNATIVE ASSET MANAGERS

Legal, tax and regulatory changes could occur that may adversely affect our investment strategies. The legal, tax and regulatory environment for alternative investments is evolving, and changes in such regulation may adversely affect the value of such investments in our strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and retain the right to suspend or limit trading in securities, which could expose our accounts to losses. The regulation of derivatives transactions and accounts that engage in such transactions is an evolving area of law and is subject to modification by governmental and judicial action. The effect of any future regulatory change on Oaktree's business could be substantial and adverse.

In recent years, market disruptions and the dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the alternative investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is considered by both U.S. and non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us and the accounts we manage, the markets in which our accounts trade and invest or the counterparties with which we do business may be instituted in the future. There can be no assurance that we or the accounts we manage will be able, for financial reasons or otherwise, to comply with future laws and regulations.

(4) INSTITUTIONAL RISK

The institutions, including brokerage firms and banks with which our accounts directly or indirectly do business (including swap counterparties), or to which securities are entrusted for custodial and prime brokerage purposes, may encounter financial difficulties, fail or otherwise become unable to meet their obligations. In addition, these financial institutions may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on the activities and operations of our accounts.

(5) COUNTERPARTY, SETTLEMENT AND LOCAL INTERMEDIARY RISK

From time to time, certain securities markets have experienced operational clearance and settlement problems that have resulted in failed trades. These problems could cause our accounts to miss attractive investment opportunities or result in such accounts incurring liability to third parties by virtue of an inability to perform their contractual obligation to deliver securities. In addition, delays and inefficiencies of the local postal, transport and banking systems could result in the loss of investment opportunities, the loss of money (including dividends) and exposure to currency fluctuations. To the extent we invest in securities, swaps, derivatives or other over-the-counter transactions, in certain circumstances our accounts may take a credit risk with regard to parties with whom they trade and may also bear the risk of transfer, clearance or settlement default. Transactions entered into directly between two counterparties may expose the parties to the risk of counterparty defaults. Such risks may be exacerbated with respect to non-U.S. securities or transactions with non-U.S. counterparties. Certain of our accounts' transactions may be undertaken through local brokers, banks or other organizations in the countries in which these accounts make investments, and these accounts will be subject to the risk of default, insolvency or fraud of such organizations.

(6) DEPENDENCE ON OAKTREE EMPLOYEES

The success of each of our accounts depends in substantial part on the skill and expertise of the portfolio managers and other professionals employed by us. There can be no assurance that our portfolio managers and such other professionals will continue to be employed by us throughout the life of a specific account. The loss of a portfolio manager and other professionals could have a material adverse effect on the account(s) that they cover.

(7) NATURE OF BANKRUPTCY PROCEEDINGS

The main focus of Oaktree's distressed opportunities and value opportunities strategies is to take advantage of opportunities arising from financial distress. There are a number of significant risks when investing in companies involved in bankruptcy proceedings, including the following:

- Many events in a bankruptcy are the product of contested matters and adversary proceedings that are beyond the control of the creditors.
- A bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the

liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment.

- The duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective.
- Certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors.
- The administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors.
- Creditors can lose their ranking and priority in a variety of circumstances, including if they exercise "domination and control" over a debtor and other creditors can demonstrate that they have been harmed by such actions.
- Certain of our employees, representing our accounts, may seek representation on creditors' committees and as a member of a creditors' committee he or she may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. Because our Managed Funds will indemnify us and our affiliates or any other person serving on a committee on behalf of one of our Managed Funds for claims arising from breaches of those obligations, indemnification payments could adversely affect the return on such vehicles investment in a reorganization company.

(8) ILLIQUIDITY

Certain of our strategies may involve investing in relatively illiquid investments. A significant portion of these assets may consist of investments that are thinly traded, investments for which no market exists or investments that are restricted as to their transferability under applicable securities laws or documents governing particular transactions. Some securities or instruments that were liquid at the time they were acquired may, for a variety of reasons which may not be in our control, later become illiquid. This may have the effect of limiting the availability of these securities or instruments for purchase by our accounts and may also limit the ability of these accounts to sell such investments at their fair market value prior to termination of these accounts or in response to changes in the economy or the financial markets. Due to securities regulations governing certain publicly traded equity securities, these accounts' ability to sell securities could also be diminished with respect to equity holdings that represent a significant portion of the issuer's securities (particularly if an account has designated one or more directors of the issuer).

(9) NON-U.S. INVESTMENTS

Many of our strategies invest in non-U.S. investments which involve risks and special considerations not typically associated with U.S. investments. Such risks include:

- the risk of nationalization or expropriation of assets or confiscatory taxation,
- social, economic and political uncertainty, including war and revolution,
- dependence on exports and the corresponding importance of international trade,
- price fluctuations, market volatility, less liquidity and smaller capitalization of securities markets,
- currency exchange rate fluctuations and rates of inflation,
- controls on, and changes in controls on, non-U.S. investments and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars,
- governmental involvement in and control over the economies,



- governmental decisions to discontinue support of economic reform programs generally and impose centrally planned economies,
- differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers,
- less extensive regulation of the securities markets,
- longer settlement periods for securities transactions,
- less developed corporate laws regarding fiduciary duties and the protection of investors, and
- potentially less reliable judicial systems to enforce contracts and applicable law.

(10) SENIOR LOANS AND PARTICIPATIONS

Certain of our strategies' investment programs include investing in significant amounts of bank loans and participations. These obligations are subject to unique risks, including:

- the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws,
- so-called lender-liability claims by the issuer of the obligations,
- environmental liabilities that may arise with respect to collateral securing the obligations, and
- limitations on the ability of holders to directly enforce their rights with respect to participations.

(11) SUBORDINATION

Mezzanine debt and equity investments will typically be subordinated. Subordinated investments may be characterized by greater credit risks than those associated with the senior obligations of the same issuer.

(12) SHORT SALES AND DERIVATIVES

A short sale of a security involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the security that could result in an inability to cover the short position. The successful use of options depends principally on the price movements of the underlying securities, and if the price of the underlying security does not rise (in the case of a call) or fall (in the case of a put) to an extent sufficient to cover the option premium and transaction costs, the holder will lose part or all of its investment in the option. Certain of the strategies may also invest in derivative instruments from time to time. Investing in derivative instruments presents various risks, including lack of liquidity and risks of purchasing outside of an exchange. The prices of derivative instruments, including swaps, futures, forwards and options, are highly volatile. The value of such derivatives also depends upon the price of the underlying instrument or commodity. Certain over-the-counter derivatives are also typically not subject to the same type of investor protections or governmental regulation as exchange traded instruments.

(13) INVESTMENTS IN REAL ESTATE

Certain of our strategies' investment programs involve investing directly in real estate that we believe is undervalued, non-recourse mortgages where the mortgagor is not a significant operating company and in the securities or obligations of single purpose companies whose primary asset is real estate. Some of the risks associated with real estate investments include:

- lack of demand for commercial or housing space in a locale,
- changes in general economic or local conditions,
- changes in supply of, or demand for, similar or competing properties in an area,
- uncertainty of cash flow to meet loan and other fixed obligations,

- wars, natural disasters, severe weather patterns, terrorist attacks and similar events,
- changes in interest rates, unavailability of mortgage financing which may render the sale or refinancing of property difficult, and
- changes in tax, real estate, environmental and zoning laws.

Additionally, in connection with the ownership (direct or indirect) of real properties, owners may face potential costs and liabilities related to environmental laws, such as those related to the removal of hazardous and toxic substances.

**(14) RISKS RELATING TO THE POWER SECTOR**

For much of its history, the power sector, and particularly the utility industry within this broader sector, was characterized by institutional stability and predictability of financial performance. The advent of utility deregulation, privatization, technological change, environmental regulations, commodity price fluctuations, and market volatility has created a much less stable sector with substantially greater variability of company performance. There can be no assurance that the pace or direction of the change will be in accord with Oaktree expectations, nor that the industry changes will benefit investments made. Investing in power facilities and related assets and the companies that provide the equipment, services, and systems to such power facilities and related assets is subject to a variety of risks, not all of which can be foreseen or quantified, including operating, economic, environmental, commercial, regulatory, political and financial risks. There is no assurance that such investments will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

**(15) RISKS RELATING TO THE INFRASTRUCTURE SECTOR**

Most infrastructure assets have unique locational and market characteristics, which could make them highly illiquid or appealing only to a narrow group of investors. Infrastructure investments expose the strategy to numerous risks, usually without recourse to the general credit of a project sponsor, including (without limitation): construction; environmental; regulatory; permitting; commissioning; start-up; operating; economic; commercial; contractual; political; innovation; and financial risks. Early developmental stage projects involve risks of failure to obtain or substantial delays in obtaining: regulatory, environmental or other approvals or permits; financing; and suitable equipment supply, operating and offtake contracts. Additional infrastructure sector risks include (i) the risk that technology employed will be not be effective or efficient, (ii) the risk of equipment failures, fuel interruptions, loss of sale and supply contracts; changes in power or fuel contract prices, bankruptcy of or defaults by key customers, suppliers or other counterparties, and tort liability; (iii) risk of changes of values of infrastructure sector companies; (iv) risks associated with employment of personnel and unionized labor; and (v) political and regulatory considerations and popular sentiments that could affect the ability of the strategy to buy or sell investments on favorable terms. The occurrence of events related to any of the foregoing could have a material adverse effect on investments in the infrastructure sector. There is no assurance that such investment projects will be profitable or generate cash flow sufficient to service their debt or provide a return on or recovery of amounts invested therein.

**(16) INVESTMENTS IN THE COMMUNICATIONS INDUSTRY**

Certain of our strategies' investment programs include investing in the communications and media-related industries. Certain companies in those industries are or may be subject to extensive U.S. federal, state and local regulatory requirements. Regulations that are intended to limit the concentration of ownership and control of communications and media companies may prevent one of our accounts from making certain investments that it would otherwise make. Other regulations may cause substantial additional costs or lengthy delays in connection with the completion or disposition of an investment. The governing documents of our Managed Funds that invest in the communications industry contain provisions that are designed to conform to the requirements of the Federal Communications Commission. These provisions

prohibit investors in Managed Funds from active involvement in such media companies, and may restrict such investors' ability to remove us or our affiliates from managing the Managed Fund in certain circumstances.

(17) NON-PAYMENT OF MORTGAGES UNDERLYING CMBS

The collateral underlying commercial mortgage-backed securities (or CMBS) generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. With most commercial mortgage loans the bulk of the loan balance is payable at maturity with a one-time payment, commonly known as a "balloon payment" and are usually non-recourse in nature. The prospect of full repayment of the commercial mortgage loans underlying CMBS depends on the ability of the commercial borrower to generate current income from its commercial property. Also, the likelihood of the commercial borrower repaying the commercial mortgage loan at maturity is heavily influenced by the commercial borrower's ability to secure subsequent financing in a difficult credit environment. If a commercial borrower defaults on the commercial mortgage loan underlying a CMBS, then the options for financial recovery are limited in nature. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. In certain instances, a negotiated settlement or an amendment to the terms of the commercial mortgage loan are the only options before an ultimate foreclosure on the commercial property. Foreclosures can be lengthy and expensive and borrowers often assert claims, counterclaims and defenses to delay or prevent foreclosure actions. At any time during the proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure action and further delaying the process, and materially increasing the expense thereof, which expenses may not be recoverable. The ultimate disposition of a foreclosed property may also yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted commercial mortgage loan, which would result in substantial investment losses, and ultimately a decline in the value of CMBS.

(18) HIGH YIELD, PREFERRED AND CONVERTIBLE SECURITIES AND DISTRESSED DEBT

Certain of our strategies involve investing in "high yield" bonds, preferred and convertible securities and distressed debt that are rated in the lower rating categories by the various credit rating agencies or comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk during periods of deteriorating general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated and comparable non-rated securities, the yields and prices of such securities may be more volatile than those for higher-rated and comparable non-rated securities. The market for lower-rated and comparable non-rated securities is thinner, often less liquid and less active than that for higher-rated or comparable non-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it difficult to sell such securities.

(19) LEVERAGE

Certain of our strategies' investment programs include investing in companies whose capital structures may have significant leverage. Such investments are inherently more sensitive to declines in revenues and to increases in expenses and interest rates. The leveraged capital structure of such investments will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deterioration in the condition of the portfolio company or its industry. Additionally, the securities acquired may be the most junior in what will typically be a complex capital structure, and thus subject to the greatest risk of loss.

Furthermore, certain strategies involve the use of leverage, including through swaps or repurchase transactions. While leverage presents opportunities for increasing total return, it may increase losses as well. Accordingly, any event that adversely affects the value of an investment would be magnified to the extent leverage is used. The cumulative effect of the use of leverage in a market that moves adversely to investments held could result in a loss that would be greater than if leverage had not been used, including loss of the entire investment and also the possibility of loss exceeding the original amount of a particular investment.

(20) HIGH PORTFOLIO TURNOVER

Our different strategies may require frequent trading and a high portfolio turnover. The more frequent the trading, the higher the commission and transaction costs and certain other expenses. These costs will be borne by the account regardless of the profitability of its investment and trading activities. In addition, a high portfolio turnover may increase the recognition of short-term, rather than long-term, capital gains.

(21) BOARD PARTICIPATION

The size of one or more account's equity holdings in a particular issuer, or contractual rights obtained by such account in connection with an investment, may enable the account to designate one or more directors to serve on the boards (or comparable governing bodies) of companies in which the account invests. While such representation may enhance the account's ability to manage its investments, it may also have the effect of impairing the ability of the account to sell the related securities when, and upon the terms, it might otherwise desire, as it may subject the account to required holding periods and legal claims it would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other board-related claims.

(22) THIRD PARTY LITIGATION

Our accounts' investment activities subject them to the risks of becoming involved in litigation by third parties. This risk is somewhat greater where we exercise control of, or significant influence in, a company's direction. The expense of defending third party claims and paying any amounts pursuant to settlements or judgments would, absent certain conduct by us or our affiliates, increase the costs of the account holding the investment.

(23) LACK OF DIVERSIFICATION

Except as otherwise set forth in the governing documents of an account, Oaktree is not under any obligation to diversify accounts among a wide range of issuers or industries. Accordingly, returns may be subject to more rapid changes than would be the case if we were required to maintain a wide diversification among companies, industries and types of securities.

(24) TAX MATTERS

The countries in which our accounts may invest may impose taxes on certain types of income such as dividends, interest and in some instances capital gains. Although such taxes may be subject to reduction to the extent that Managed Account clients or investors in our Managed Funds are entitled to the benefits of an income tax treaty between their home jurisdiction and the other jurisdictions in which our accounts invest, there can be no assurance that treaty benefits will be available in any particular case, as this will be dependent on the terms of the treaty and the timely provision of certifications and other documentation. Furthermore, even if certain separately managed account clients or investors in pooled investment vehicles are entitled to treaty benefits, withholding taxes may still be deducted by the payers of income, with a material time delay before refunds of such withholding taxes can be obtained from the relevant taxing authority. In addition, changes in the tax laws or tax treaties (or their interpretation) of the countries in which our accounts invest may severely and adversely affect their ability to efficiently realize income or capital gains and may subject our accounts and investors in our pooled investment vehicles to tax and

return filing obligations in such countries. There may be a series of complex tax issues related to an investment in our pooled investment vehicles or commencement of a separately managed account.

(25) POTENTIAL CONFLICTS OF INTEREST

We manage a number of different investment strategies which present the possibility of overlapping investments, and thus the potential for conflicts of interest. If any matter arises that we determine in its good faith judgment constitutes an actual conflict of interest between accounts, we may take such actions as may be necessary or appropriate to prevent or reduce the conflict. Please see Item 11 of this brochure for a further discussion of possible conflicts of interest.

(26) ACCESS TO MATERIAL, NON-PUBLIC INFORMATION

In connection with the activities of various investment strategies, from time to time Oaktree may acquire confidential or material non-public information with respect to issuers of securities or otherwise be restricted from initiating transactions in certain securities. While in possession of such information, Oaktree will generally not be free to trade upon any such information in accordance with applicable securities laws. Due to these restrictions, Oaktree may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

(27) COMMODITY REGULATORY MATTERS

Oaktree has registered with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator and as a commodity trader advisor and will operate certain Managed Funds and Managed Accounts in accordance with section 4.7 of the regulations of the CFTC under the U.S. Commodity Exchange Act and as such, Managed Account clients and investors in Managed Funds are limited to “qualified eligible persons” as defined thereunder.

(28) PORTFOLIO VALUATION

Valuations of an account’s portfolio, which will affect the account’s performance results, may involve uncertainties and judgmental determinations. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities may ultimately be sold. Further, third-party pricing information may at times not be available regarding certain of the account’s securities, derivatives, and other assets. If the valuation by Oaktree or its affiliate of the account’s securities in accordance with Oaktree’s valuation policy should prove to be incorrect, the net asset value of an account’s investments could be adversely affected. Absent bad faith or manifest error, valuation determinations in accordance with Oaktree’s valuation policy will be conclusive and binding. Moreover, because Oaktree or its affiliates will determine in their respective discretion the value of any such assets, there may be an apparent conflict of interest in making that determination, given the potential impact of such valuations on an account’s performance, particularly with respect to an account that pays performance fees to Oaktree or its affiliates.

(29) BORROWINGS AND GUARANTEES

Certain accounts may obtain short-term bridge financings or borrowings to fund acquisitions prior to the receipt of capital contributions. In addition, certain accounts may incur other, longer-term, indebtedness and guarantee obligations with respect to portfolio investments and expenses. In connection therewith, the accounts or certain subsidiary entities may enter into one or more credit facilities or guarantees that may be secured by unfunded capital commitments and/or the account’s portfolio investments and assets. While such activities may present opportunities for increasing the account’s total return, it may increase losses as well.



In addition to the investment strategy and analysis risks mentioned above, it is important to note those risks associated with Oaktree's information technology. The systems utilized by Oaktree or its vendors or service providers may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors, power outages and catastrophic events. The failure of these systems and/or of the business continuity and disaster recovery plans for any reason could cause significant interruptions in the operations of Oaktree and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors and clients. Such a failure could harm the reputation of Oaktree, subject Oaktree to legal claims and otherwise affect Oaktree's business and financial performance.

## ITEM 9. DISCIPLINARY INFORMATION

No items to disclose.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Oaktree is currently registered with the Commodities Futures Trading Commission ("CFTC") as a commodity pool operator and commodity trading advisor and is a member of the National Futures Association. Certain of its management persons and employees that are involved in marketing activities are registered with the CFTC as principals or associated persons.

Oaktree Funds (the "Trust") is a Delaware statutory trust and is registered with the SEC as an open-end investment management company under the Investment Company Act of 1940, as amended. The Trust currently consists of the Oaktree High Yield Bond Fund (the "Registered Fund"). Oaktree is the investment adviser to the Registered Fund pursuant to an investment management agreement with the Trust, on behalf of the Registered Fund. In addition, certain employees of Oaktree are also officers of the Trust.

In addition, Oaktree serves as co-investment manager of a Managed Fund that is co-advised by an investment adviser unaffiliated with Oaktree.

Certain Oaktree employees may also be associated with one or more unaffiliated registered investment adviser firms.

OCM Investments, LLC, an affiliate of Oaktree, is a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority. Certain Oaktree employees that are involved in marketing activities are registered representatives of OCM Investments, LLC. Oaktree or its affiliates serve as the general partner or investment manager of certain Managed Funds and the Registered Fund for which clients may be solicited to invest. Interests in them may be offered through OCM Investments, LLC. OCM Investments, LLC does not receive a commission on such sales but is paid for services performed by Oaktree.

In addition, Oaktree may directly or indirectly seek the investment management, advisory or marketing services of its affiliates outside of the United States with respect to Managed Funds and Managed Accounts. Oaktree pays fees directly or indirectly to such affiliates for services performed. Certain of these affiliates are deemed to be relying advisers, pursuant to the SEC's Division of Investment Management staff guidance issued in a no-action letter, dated January 18, 2012, in response to the American Bar Association's request for interpretive guidance. See below for a brief description of each relying adviser.

RELYING ADVISER	DESCRIPTION
Oaktree Capital Management (UK) LLP	Provides investment sub-management and advisory services to Oaktree and certain Managed Accounts and Managed Funds as well as performs marketing activities. It is registered with the Financial Conduct Authority in the United Kingdom.
Oaktree GMBH	Provides advisory services to Oaktree.
Oaktree France S.A.S,	Provides advisory services to Oaktree.
Oaktree Capital (Hong Kong) Limited	Provides investment advisory and trading services to Oaktree as well as performs marketing activities. It is licensed with the Hong Kong Securities and Futures Commission and is a registered foreign company with the Australian Securities and Investments Commission.
Oaktree Capital Management Pte. Ltd.	Provides advisory and incidental trading services to Oaktree and is licensed with the Monetary Authority of Singapore.
Oaktree Japan, GK	Provides investment advisory services to Oaktree as well as performs marketing activities. It is registered with the Kanto Local Finance Bureau in Japan.
Oaktree Capital (Seoul) Limited	Provides advisory services to Oaktree.
Oaktree Infrastructure IV Manager LLC	Provides advisory services to a Managed Fund.
Oaktree Infrastructure Manager LLC	Provides advisory services to a Managed Fund.

Oaktree Capital Management (UK) LLP is also a “Participating Affiliate” of Oaktree with respect to one of the Registered Funds as that term is used in relief granted by the staff of the SEC allowing U.S. registered investment advisers to use investment advisory resources of non-U.S. investment adviser affiliates subject to the regulatory supervision of the U.S. registered investment adviser. Oaktree Capital Management (UK) LLP and any of its employees who assist Oaktree is considered to be an “associated person” of Oaktree as that term is defined in the Investment Advisers Act of 1940, as amended, for purposes of Oaktree’s required supervision. Oaktree Capital Management (UK) LLP has agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment advisory services it provides for the Registered Funds. The names and biographical information of each of the employees from Oaktree Capital Management (UK) LLP who is deemed to be an “associated person” of Oaktree is disclosed within our Form ADV Part 2B – Brochure Supplement.

## ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### A. CODE OF ETHICS AND PERSONAL TRADING

All Oaktree principals, partners, officers and employees (including certain temporary employees, senior advisors and consultants) and those of its affiliates are subject to Oaktree’s Code of Ethics or Code of Conduct and Personal Investment Transactions Policy (collectively referred to herein as the “Code”). The Code outlines Oaktree’s policies and procedures regarding standards of conduct, personal investment transactions, handling of material, non-public information and other areas. In addition, the Code provides for sanctions in the event of violations of the stated policies and procedures.

The Code contains several restrictions and procedures designed to eliminate conflicts of interest surrounding personal investment transactions of Oaktree personnel, and their related persons, including: (1) pre-clearance of certain personal investment transactions; (2) quarterly reporting of non-exempt personal securities transactions which were transacted during the quarter; (3) filing of initial and annual holdings reports; (4) a prohibition against personally acquiring securities in an initial public offering or a new issue offering; (5) a

prohibition against purchasing securities of a private placement without prior approval; (6) a prohibition against portfolio managers, traders or investment analysts purchasing or selling any securities for his or her own account or any account in which he or she may have beneficial interest for a period of five business days prior or subsequent to an Oaktree transaction of the same security on behalf of an account for which they are involved in the decision-making process; (7) a prohibition, with respect to certain investment personnel that provide investment advice to open-end investment companies registered under the Investment Company Act of 1940, from profiting from the purchase and sale, or sale and purchase, of the same securities (including underlying equity Securities), within 60 calendar days; (8) a prohibition against acquiring any security which is subject to firm wide or, if applicable, a department restriction without prior approval; (9) a prohibition on entering into a short sale transaction or any transaction that has the same economic effect (e.g. short common stock, purchase a put option or sell a naked call option) on any security of an issuer for which a position is held long in an account; and (10) a prohibition, when holding period requirements apply, on buying and selling, or selling short and buying to cover, the same security within thirty calendar days.

Monitoring of employee personal securities transactions is handled by Compliance department personnel and any required and related records are maintained by the Compliance department.

Oaktree's Code contains a Policy Statement on Avoidance of Insider Trading. Specifically, the Code prohibits our officers, directors and employees from buying or selling securities either for themselves or on behalf of others while in possession of material, non-public information about the company that violate applicable securities laws. The Code also prohibits the communication of material, non-public information about a company to others who have no official need to know. Depending on the circumstances surrounding the information received, Oaktree may conclude to either (i) place the issuer on the firm-wide "Restricted Securities List," which would bar any purchases or sales of the issuer's securities by any Oaktree investment group or Oaktree personnel (including any related person) without prior approval, or (ii) in limited and selective cases, elect to maintain an information wall with regard to the issuer, which would (a) place the issuer on a "Watch List" for monitoring of trading activity, (b) bar any purchases or sales of the issuer's securities by any Oaktree investment group or Oaktree personnel (including any related person of such Oaktree personnel) that receives the information, but allowing other investment groups not in possession of the information to trade in the issuer's securities, and (c) bar the dissemination of the information beyond certain identified persons responsible for managing the proposed investment in the issuer and impose appropriate safeguards against such dissemination. Where Oaktree personnel who do not readily fit within a department, receive inside information, the Legal and/or Compliance department (subject to an analysis of the specific facts) will decide the appropriate restriction.

Additional provisions of the Code of Ethics outline Oaktree's policies governing (1) gifts, meals, entertainment, and political activity, which include preapproval requirements and limitations on such activities; (2) employee activities outside their employment with Oaktree, including serving as a director and certain fiduciary appointments; (3) compliance with anti-bribery laws, which include preapproval requirements for certain activities, and (4) the maintenance of confidentiality of certain information.

If you would like a copy of Oaktree's Code please forward your written request to the attention of Rodney Vencatachellum, Managing Director/Chief Compliance Officer, at Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California, 90071.

## B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

OCM Investments, LLC, and certain other affiliates of Oaktree, may recommend that its clients invest in limited partnerships or other pooled investment vehicles for which Oaktree or an affiliate acts as either general partner who has an ownership interest (and receives its applicable share of any profits or losses associated with that ownership interest) and/or receives a management and performance based fee or, manager, investment adviser, or sub-adviser who receives a management fee and performance based fee. In each case, at the time of such recommendation, disclosure will be made regarding Oaktree's relationship with such pooled vehicle and any potential conflict of interest that might arise out of such relationship.

Oaktree, or any of its affiliates, may purchase or sell securities of entities for itself that Oaktree also recommends for purchase or sale by its clients. Oaktree, or any of its affiliates, may also cause clients to purchase or sell securities in entities that in turn advise or are advised by entities whose securities are owned by Oaktree or its affiliates. In addition, Oaktree, or any of its affiliates, may sell all or a portion of an investment in an account to one or more clients or investors.

In addition, principals, partners, officers and employees (including certain temporary employees, senior advisors and consultants) of Oaktree and its affiliates ("Oaktree Representatives") may buy or sell securities or other instruments that Oaktree has recommended to clients. Such transactions in securities by Oaktree Representatives are subject to policies and procedures as outlined in Oaktree's Code and which are described more fully above. Oaktree and eligible Oaktree Representatives may also invest in the various pooled vehicles for which Oaktree or certain of its affiliates act as investment manager.

Oaktree provides a variety of services for, and advice to, various clients, including issuers of securities that Oaktree may recommend for purchase or sale by clients. In the course of providing these services, Oaktree and Oaktree Representatives may come into possession of material, nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, Oaktree and Oaktree Representatives may be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, including Oaktree's clients.

In particular, in connection with investment in distressed debt instruments, Oaktree may seek representation on creditors' committees. As a member of a creditors' committee, Oaktree may owe certain obligations generally to all creditors similarly situated that the committee represents and may be subject to various trading or confidentiality restrictions. In addition, the size of an equity holding in a particular issuer, or contractual rights or arrangements obtained by an Oaktree account in connection with an investment, may enable the account to designate one or more directors to serve on the boards of entities in which the account invests. As a member of the board, Oaktree Representatives may come into possession of non-public information and may be subject to various trading or confidentiality restrictions either contractually or pursuant to applicable securities laws. While such board and committee representations may enhance Oaktree's ability to influence the outcome of the investments for its clients, it may also have the effect of impairing the ability of all Oaktree clients from engaging in any transactions with respect to securities of such issuer. Oaktree's policies and procedures regarding the receipt and handling of material non-public information is outlined in the Code and is more fully described above.

Oaktree and its corporate affiliates have acquired, and may continue to acquire interests in companies that provide services to one or more accounts. Oaktree's interest in such a company presents a conflict of interest as the accounts will be paying such company for its services and Oaktree through its ownership interest will share in any profit. In order to ensure that Oaktree does not benefit at the expense of such accounts, Oaktree may agree to rebate (through an offset to its management fee or, if necessary, any carried interest distributions) Oaktree's estimate of any net income of such company attributable to any fees paid by an account to the extent that such net income is received by Oaktree. Oaktree may nevertheless benefit from its ownership of such a company if the company's business is successful. For example, Oaktree may benefit from the sale of its equity interest in the company, or the company may provide services to third parties unaffiliated with Oaktree and, if that business is profitable, Oaktree would benefit as an owner of such company.

In addition, certain accounts have acquired, and may in the future acquire, interests in companies that provide services to one or more other accounts. The payment of fees by accounts to a service provider owned in whole or in part by other accounts may give rise to potential conflicts of interest to the extent Oaktree directed or initiated such transaction. If Oaktree believes such instances may give rise to a conflict of interest, Oaktree will address such conflicts based on the facts and circumstances presented by each situation and attempt to employ measures to ensure that the accounts using the company's services are charged arm's-length prices for the services they receive. Such measures may include, where appropriate, having the company's

management control the negotiation of fees with the accounts to which services are provided and/or obtaining a “most favored nations” so that the accounts will automatically receive the benefit of the most favorable fees charged by the service provider to similarly situated clients.

Oaktree and its employees may also receive certain benefits, such as discounts on products or services from companies in which an Oaktree account holds a significant ownership interest.

## ITEM 12. BROKERAGE PRACTICES

### A. SELECTION OF BROKER -DEALERS

Oaktree's objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution on transactions effected for accounts. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors will be considered as they are deemed relevant.

These factors include, but are not limited to, Oaktree's knowledge of negotiated commission rates and spreads currently available; the nature of the security or instrument being traded; the size and type of the transaction; the nature and character of the markets for the security or instrument to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security or instrument; confidentiality; the execution, clearance, and settlement capabilities as well as the reputation and perceived soundness of the broker or dealer selected and other brokers or dealers considered; Oaktree's knowledge of actual or apparent operational problems of any broker or dealer; the broker's or dealer's execution services rendered on a continuing basis and in other transactions; the reasonableness of spreads or commissions; and the research services and products furnished by the broker or dealer, if any.

In seeking to obtain best execution, Oaktree generally will not seek in advance competitive bidding for the most favorable commission rate or spread applicable to any particular portfolio transaction or to select any broker or dealer on the basis of its purported or “posted” commission rate. Oaktree will endeavor to be aware of the current level of the charges of eligible brokers or dealers and to minimize the expense incurred for effecting portfolio transactions to the extent consistent with the interests and policies of its accounts. Although Oaktree generally seeks competitive commission rates and dealer spreads, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and would thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

#### (1) RESEARCH AND OTHER SOFT-DOLLAR BENEFITS

Consistent with obtaining best execution, brokerage commissions (including dealer spreads paid on certain principal transactions in accordance with SEC interpretations) on accounts' portfolio transactions may be directed by Oaktree to a broker or dealer in recognition of research services furnished by the broker or dealer or a designated third party (also referred to as “soft dollar benefits”), as well as for services rendered in the execution of orders by such broker or dealer. In considering such research, Oaktree first determines that the product or service will provide lawful and appropriate assistance in the performance of its investment decision-making responsibilities. A determination is then made that the amount of commissions paid is reasonable in light of the value of the brokerage and research services provided. Oaktree does not attempt to put a specific monetary value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research received is, in the aggregate, of assistance to Oaktree in fulfilling its overall duty to its clients. Oaktree notes that each and every research service may not be used to service each and every account managed by Oaktree and Oaktree may use research services to service accounts that did not pay commissions to the broker-dealers providing such research services. Moreover, Oaktree may benefit from these services as it may not have to pay for such research services and products out of its own resources.



The receipt of investment research and information and related services permits Oaktree to supplement its own research and analysis and makes available to Oaktree the views and information of individuals and research staffs of other firms. The views and information include written materials on certain companies, industries, areas of the economy or market factors and other areas that might affect the economy or securities prices. Research services may also include statistical information; accounting and tax law interpretations that relate to an investment; political developments that may affect investments and the markets in which Oaktree invests; legal developments affecting portfolio securities; technical market actions; pricing and appraisal services; credit, risk measurement and performance analysis; analysis of corporate responsibility issues; portfolio strategy; and analytic computer software. They may also include advice from brokers or dealers as to the value of securities, availability of securities, availability of buyers, and availability of sellers. In addition, they may include recommendations as to the purchase and sale of individual securities and timing of transactions.

These research services may be received through on-line information services provided by the broker or dealer or a designated third party. Due to the receipt of various research materials through on-line services, products may include software used in connection with gaining access to the information and may be considered a mixed-use item, having both research and non-research functions. When products or services, including on-line services, are used for both research and other purposes, Oaktree will make a good faith allocation of the cost of the product or service between the research and non-research functions. The non-research portion will be paid in cash by Oaktree, while the portion attributable to research will be paid through brokerage commissions. Brokers or dealers selected by Oaktree may be paid commissions for effecting transactions for Oaktree's clients in excess of the amounts other brokers or dealers would have charged for effecting these transactions if Oaktree determines in good faith that such amounts are reasonable in relation to the value of the brokerage or research services provided by such brokers or dealers, viewed either in terms of a particular transaction or Oaktree's overall duty to its discretionary accounts.

During its last fiscal year, Oaktree did not direct any client transactions to a particular broker-dealer in return for soft dollar benefits.

(2) DIRECTED BROKERAGE

Oaktree may in certain circumstances permit clients of Managed Accounts to direct Oaktree to use a particular broker or dealer to execute portfolio transactions for its account. Where a client directs the use of a particular broker or dealer, Oaktree may not be in a position to freely negotiate commission rates or spreads, or select brokers or dealers on the basis of best price and execution. Additionally, transactions for a client that directs brokerage may not be batched for execution purposes with orders for the securities or instruments for other clients managed by Oaktree. As a result, directed brokerage transactions may result in higher commissions, greater spreads or less favorable net prices than would be the case if Oaktree were empowered to select brokers and dealers to execute transactions for the client.

**B. AGGREGATION OF PURCHASES AND SALES OF SECURITIES**

When possible, trade orders are combined or "batched" to facilitate best execution, as well as for the purpose of negotiating more favorable brokerage commissions or spreads. These batched orders are then generally allocated on a pro-rata basis, at the same average price, among each client participating in that specific trade, including Managed Funds, subject to certain investment considerations. In instances where aggregation is not practical or possible, our investment professionals seek to follow our best execution policies, whereby we believe the costs of not aggregating client orders are either immaterial or marginal. See below for a discussion of our allocation guidelines.

**C. INVESTMENT ALLOCATIONS**

One Oaktree account may share in investment opportunities presented to one or more other Oaktree account(s) to the extent that Oaktree in good faith deems such allocation to be prudent or equitable based on

the Investment Allocation Considerations (as defined below). The decision by Oaktree to allocate an opportunity to one account could cause another account to forego an investment opportunity it otherwise would have made.

(1) INTRA-STRATEGY ALLOCATION

As mentioned above under "B. Aggregation of Purchases and Sales of Securities", trade orders are combined or "batched" when possible. These batched orders are then generally allocated on a pro-rata basis among each account, including Managed Funds, within the same investment strategy. The pro rata allocation for both investments and sales may be overridden if Oaktree in good faith deems a different allocation method to be prudent or equitable in light of (1) the size, nature and type of investment or sale opportunity, (2) principles of diversification of assets, (3) the investment guidelines and limitations governing the accounts, including client instructions with respect to a specific investment and compressed ramp-up periods that are characteristic of certain investment vehicles, (4) cash availability, including cash that becomes available through leverage, (5) the magnitude of the investment, (6) redemption/withdrawal requests received by such accounts, (7) a determination by Oaktree that the investment or sale opportunity is inappropriate, in whole or in part, for one or more accounts, (8) applicable transfer or assignment provisions, (9) proximity of an account to the end of its specified term, if any, (10) the investment focus of the accounts, (11) applicable contractual or legal obligations, and/or (12) such other factors as Oaktree may reasonably deem relevant (all of the foregoing factors being hereinafter referred to as the "Investment Allocation Considerations"). In some cases, Oaktree's observation and application of the Investment Allocation Considerations may affect adversely the price paid or received by an account or the size of the position purchased or sold by an account.

Oaktree manages accounts which have pre-determined investment and liquidation periods as detailed in each account's governing documents ("closed-end accounts"). In general, Oaktree will not draw down capital commitments for a new closed-end account within the same investment strategy until the earlier of (1) such time as the prior closed-end account in such strategy is at least 80% invested or committed for investment (other than closed-end accounts organized as parallel accounts with different inception dates) and (2) the end of the investment period of such prior closed-end account.

As a general matter and except as otherwise set forth below, if two or more closed-end accounts with the same investment focus are still in their respective investment periods, an available investment opportunity will be allocated pro rata among them on the basis of available capital, except that the opportunity will first be allocated entirely to the oldest account until that account is 80% invested, committed for investment, or reasonably reserved for follow-on investments unless the terms of that account provide that such account will not have priority; and provided, further, that such investment allocation may be changed in the event that Oaktree determines a different investment allocation to be prudent or equitable based on the Investment Allocation Considerations. Similar to investment opportunities, sales or other dispositions of an investment held by two or more such closed-end accounts generally will be allocated pro rata among them on the basis of their respective investments held, except that if Oaktree determines that opportunities to sell are limited, first priority may go to any account in its liquidation period (and, among accounts in their liquidation periods, to the oldest of such accounts) and provided, further, that such allocation may be changed in the event that Oaktree determines a different allocation to be prudent or equitable based on the Investment Allocation Considerations.

In addition, as a general matter, investment opportunities between a closed-end account that is in its investment period and an open-end account (which typically does not have a limit on total size) with the same investment focus, and between two or more open-end accounts with the same investment focus, will be allocated between them based on Oaktree's reasonable assessment of the amounts available for investment by each account, and sales of an investment will be allocated pro-rata between them on the basis of their respective investments held (disregarding for this purpose the age of the accounts or which of them is in a liquidation period) provided that such allocation may be changed in the event that

Oaktree determines a different allocation to be prudent or equitable based on the Investment Allocation Considerations.

(2) INTER-STRATEGY ALLOCATION

Oaktree and its affiliates currently manage, and may in the future manage, a number of accounts that are eligible to invest in the same types of securities, obligations or other investments requiring Oaktree to address potential conflicts of interest involving potentially overlapping investments. While Oaktree will seek to manage such potential conflicts of interest in good faith, there may be situations in which the interests of one account with respect to a particular investment or other matter conflict with the interests of one or more other accounts, Oaktree or one or more of their respective affiliates. For example, such conflicts may arise in situations where an Oaktree account has invested in the securities of an issuer, but due to changed circumstances, the investment opportunities with respect to such issuer subsequently fall within the investment focus of another account or accounts. Such changed circumstances might include, among others: a fall in the prices of the securities of the issuer to distressed levels; workouts or other restructurings relating to an issuer's capital structure; a decline in the issuer's business or financial condition; workouts or other restructurings relating to an issuer's capital structure; or consideration by the issuer of strategic alternatives or other fundamental changes. Subject to the provisions of the governing documents of the affected accounts, on any matter involving a conflict of interest, Oaktree will be guided by its fiduciary duties to its clients (as set forth in such governing documents) and will manage such conflict in good faith and seek to ensure that the interests of all affected accounts are represented. However, if necessary to resolve such conflict, Oaktree reserves the right to cause one affected account to take such steps as may be necessary to minimize or eliminate the conflict, even if (subject to applicable law) that would require such account to (1) forego an investment opportunity or divest investments that, in the absence of such conflict, it would have made or continued to hold or (2) otherwise take action that may have the effect of benefitting Oaktree, any of its affiliates, or another Oaktree account and therefore may not have been in the best interests of the affected accounts. Additionally, to the extent an affected account structured as a commingled fund has an investors committee, Oaktree may also in its discretion consult with such account's investors committee regarding any potential conflict of interest, and if Oaktree and its affiliates act in a manner, or pursuant to standards or procedures, approved by such investors committee with respect to such conflict of interest, then to the fullest extent permitted by applicable law, Oaktree and its affiliates will not have any liability for such actions taken in good faith by them.

The classification of an investment opportunity as appropriate or inappropriate for an account is made by Oaktree, in good faith, at the time of purchase and will govern in this regard. This determination frequently will be subjective in nature. Consequently, an investment that Oaktree determined was appropriate (or more appropriate) for one account may ultimately prove to have been more appropriate for another Oaktree account. Furthermore, the decision as to whether an account should make a particular follow-on investment, or whether the follow-on investment will be shared in the same proportion as the original investment, may differ from the decision regarding the initial purchase due to a changed determination on this issue by Oaktree, and investments made by an account towards the end its investment period, if applicable, may be structured so that one or more other Oaktree accounts can make an anticipated follow-on investment on certain prearranged terms and conditions, including price (which may be based on cost of the original investment). Where potential overlaps between or among accounts exist, such opportunities will be allocated by Oaktree, in good faith, after taking into consideration the investment focus of each affected account and the Investment Allocation Considerations. Generally, Oaktree accounts do not purchase any investments from, or sell any investments to, any other Oaktree accounts (other than in certain limited circumstances, such as in connection with warehoused investments, tax structuring, or in order to facilitate the allocation of an investment among related alternative investment vehicles, parallel funds or other related entities or otherwise approved by the investors committee, if any, of the affected account).

Oaktree anticipates that accounts may make an investment in a company in which one or more other Oaktree accounts hold an investment in a different class of such company's debt or equity. In such circumstances, Oaktree may have conflicting duties among the accounts. Generally speaking, Oaktree expects that accounts will make investments that potentially conflict with the interests of other accounts that already have an existing investment in the same company only when, at the time of the account's investment, Oaktree believes that (a) such investment is in the best interests of the account and (b)(i) the possibility of actual adversity between the account and another Oaktree account is remote, (ii) either the potential investment by the account or the investment of such other Oaktree account is not large enough to control any actions taken by the collective holders of securities of such company or asset, or (iii) in light of the particular circumstances, Oaktree believes that such investment is appropriate for the account, notwithstanding the potential for conflict. In those circumstances where Oaktree accounts hold investments in different classes of a company's debt or equity, Oaktree may also, to the fullest extent permitted by applicable law, take steps to reduce the potential for adversity between each of them, including causing one or more accounts to take certain actions that, in the absence of such conflict, it would not take, such as (A) remaining passive in a restructuring or similar situations (including electing not to vote or voting *pro rata* with other security holders), (B) investing in the same or similar classes of securities as other accounts that have existing investments in order to align their interests, (C) divesting investments or (D) otherwise taking an action designed to reduce adversity. Any such step could have the effect of benefiting other Oaktree accounts or Oaktree or its affiliates, and therefore may not be in the best interests of, and may be adverse to, the affected account.

### (3) Co-Investment Opportunities

There may be circumstances where an amount that could have otherwise been invested by a particular account is instead allocated to one or more co-investors. There is no guarantee that investors or clients will be offered any co-investment opportunities, including in circumstances where other investors or clients (including other investors in the same Managed Fund) are offered a co-investment opportunity. Each co-investment opportunity is likely to be different and the allocation of each such opportunity will be made in Oaktree's discretion and will depend on specific facts and circumstances (e.g., timing, industry, size, geography, asset class, anticipated holding period, exit strategy and counterparty). As a general matter, Oaktree will allocate co-investment opportunities in its sole discretion, taking into account various facts and circumstances deemed relevant by Oaktree, which may include, among others, the size of a potential co-investor's commitments to Managed Funds or Managed Accounts and whether a potential co-investor adds strategic value through industry expertise or other synergies, has expressed an interest in evaluating co-investment opportunities, has capital available for co-investment opportunities, is able to evaluate and commit to the co-investment opportunity within the applicable timeframe or has a history of participating in co-investments with Oaktree.

While co-investment opportunities will generally be allocated by Oaktree in its discretion using the criteria described above, Oaktree and/or its affiliated general partners may agree to give particular investors or clients priority access to co-investment opportunities. The existence of such priority co-investment rights could affect Oaktree's decision to offer certain opportunities for co-investment and could limit the ability of other investors or clients without such rights to be offered certain co-investment opportunities. In addition, Oaktree and/or its affiliated general partners may be incentivized to offer certain investors or clients the opportunities to co-invest because the amount of carried interest and/or management fee to which Oaktree and/or its affiliated general partners are entitled under arrangements made in connection with such investors' or clients' participation in Managed Funds or Managed Accounts may depend on, among other things, the extent to which such investors or clients participate, or are offered the opportunity to participate, in co-investments. Such priority co-investment rights or incentives will from time to time give rise to conflicts of interest, and there can be no assurance that any investment opportunities that would have otherwise been offered to Managed Funds or Managed Accounts will be made available to such Managed Funds or Managed Accounts.

With respect to each investment in which co-investors participate, any expenses related to such investment will, except as otherwise determined to be equitable by Oaktree in its discretion (such as when an investment involved material structuring or other expenses that were incurred exclusively for the benefit of the account or such potential co-investors), generally be borne by the Managed Fund and/or Managed Account and such co-investors in proportion to the capital committed by each to such investment. However, unless otherwise provided in the governing documents of the relevant Managed Fund and/or Managed Account, Oaktree may decide to structure a co-investment opportunity such that the co-investors do not bear any expenses in connection with unconsummated investments, including, without limitation, where Oaktree determines that such allocation would (a) be in the interests of the Managed Fund and/or Managed Account or (b) not result in the Managed Fund and/or Managed Account incurring material additional costs compared to the costs that the Managed Fund and/or Managed Account would have incurred had there been no co-investors. If Oaktree makes such a determination, any co-investors will not be entitled to receive break-up fees or similar fees that may be earned with respect to such transaction (and in such case, the account will bear all such broken deal expenses and will be entitled to any such break-up fees or other similar fees).

## ITEM 13. REVIEW OF ACCOUNTS

Responsibility for managing Oaktree's accounts is spread among Oaktree professionals who are best suited and skilled to manage the asset class in which the account is invested. These professionals review and monitor the accounts on a daily basis. On an ongoing basis, these professionals review current market prices of securities and instruments held for clients, review relevant financial markets and are involved in all major portfolio decisions. Oaktree professionals also monitor performance as appropriate. All accounts are reviewed by the applicable strategy group, and other necessary departments.

Depending on the investment strategy, each of Oaktree's clients of a Managed Account generally receives a monthly report describing each investment in the account, summarizing the month's account activities and comparing the market value of the account for that month against the prior month's market value, unless otherwise agreed that a different type of monthly statement will be provided. Investors in closed-end and evergreen Managed Funds generally receive unaudited financial statements on a quarterly basis as well as audited financial statements annually. Investors in our open-end Managed Funds receive reports as often as called for in the governing documents of the relevant Managed Fund, in addition to audited financials statements annually.

In performing its investment management activities, Oaktree and its affiliates allocate their respective personnel and their personnel's time among each of the Managed Accounts and Managed Funds in which they may be involved. Although each will devote such time as deemed necessary to conduct such investment management activities in an appropriate manner, conflicts may arise in the allocation of personnel and their time among such Managed Accounts and Managed Funds, particularly in connection with accounts that may involve substantially more time and resources than other accounts.

## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Oaktree may enter into arrangements and compensate unaffiliated solicitors for client referral activities in connection with Managed Accounts. These solicitation arrangements will be fully disclosed to affected clients and will comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, where applicable. Any compensation associated with such solicitation arrangement will generally be borne directly by Oaktree.

In addition, Oaktree or its affiliates may enter into arrangements with unaffiliated placement agents for investor referral activities in connection with its Managed Funds. Such unaffiliated placement agents may receive a placement fee, maintenance fee and expense reimbursement as compensation for its services. Prospective investors in a Managed Fund should understand that a potential conflict exists for such placement agents in light of the fact that certain of the fees earned are based on the amount of commitments raised under such agreements. All fees in connection with such placement agent arrangements will be ultimately borne by Oaktree, either paid directly by Oaktree or if paid by the Managed Fund through a dollar for dollar reduction in the management fee or other compensation earned by Oaktree for services to such Managed Fund.



Representatives of Oaktree from time to time speak at conferences and programs sponsored by brokers or dealers that are directed at investors interested in investing in alternative investment funds. These conferences and programs may be a means by which funds managed by Oaktree can be introduced to prospective investors. In addition, brokers or dealers may refer such Oaktree-managed funds to, or arrange for meetings with, potential investors who are also often clients of such brokers or dealers. While these conferences, programs, references and meetings (collectively, a “Capital Introduction Program”) may be arranged by brokers or dealers, there is no guarantee that any potential investor participating in a Capital Introduction Program will invest. Generally, other than the standard commission rates and customary brokerage fees paid by an account (which Oaktree believes are paid solely for trade execution and brokerage services), the brokers or dealers do not receive any compensation, directly or indirectly, for such participation in a Capital Introduction Program or any subsequent investments which may result from such participation. Furthermore, the participation in a Capital Introduction Program is not a consideration when selecting or retaining brokers or executing trades.

## ITEM 15. CUSTODY

It is Oaktree’s general policy not to have physical custody of any client assets.

However, Oaktree may be deemed to have custody of assets of Managed Funds due to it or an affiliated entity being the general partner of such Managed Funds. In such cases, Oaktree will cause such Managed Funds to be audited annually and the audited annual financial statements to be distributed to all investors no later than 120 days after the end of the fiscal year for such Managed Funds. In addition, upon the final liquidation of such a Managed Fund, Oaktree will obtain a final audit and distribute the audited financial statements with respect to such liquidated Managed Fund to all investors promptly after completion of the final audit.

In addition, in certain instances Oaktree may be deemed to have custody of the assets of a Managed Account due to its ability to withdraw funds to pay its advisory fees. In such instances, Oaktree may comply with the custody rule by obtaining a surprise security account performed by a public accounting firm.

Further, clients with Managed Accounts will receive account statements from the qualified custodian for their Managed Accounts and they should carefully review those statements. Clients of Managed Accounts that receive account statements from Oaktree are urged to compare the account statements they receive from the qualified custodian with those that they receive from Oaktree.

## ITEM 16. INVESTMENT DISCRETION

Oaktree buys and sells securities and other instruments for its accounts, on a discretionary basis in a manner consistent with each client's investment objectives and restrictions. These investment objectives and restrictions, if any, will be determined at the commencement of the account. The investment objectives and restrictions for Managed Funds will be set forth in the governing documents of those funds. The investment objectives and restrictions for Managed Accounts are generally set forth in an investment management agreement negotiated between Oaktree and the client. The authority for Oaktree to exercise discretion is generally contained within such governing documents or investment management agreements.

Generally, Oaktree will be authorized to make all discretionary determinations in accordance with client investment objectives and restrictions without client consultation or consent before a transaction is effected.

These include, but are not limited to the following:

- which securities or instruments to buy or sell;
- the total amount of securities or instruments to buy or sell;
- the broker or dealer through whom securities or instruments are bought or sold;
- the commission rates or dealer spreads at which transactions in securities or instruments are effected;
- the timing of when to execute the trade to buy or sell the security;

- proxy voting;
- allocations;
- determinations relating to potential conflicts; and
- soft dollars and other research-related issues.

## ITEM 17. VOTING CLIENT SECURITIES

Rule 206(4)-6, “Proxy Voting by Investment Advisers” requires all investment advisers who exercise voting authority over client proxies to: (1) adopt policies and procedures for voting proxies in the best interest of the client; (2) describe the procedures to clients; and (3) inform clients how they may obtain information about how the adviser has actually voted their proxies.

Oaktree has always taken seriously its responsibility to exercise voting authority with respect to the securities that form part of its clients’ portfolios. We believe the right to vote such proxies is a valuable asset, and we have always sought to vote such proxies in a manner that would maximize the value of our clients’ holdings.

We have policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interests of our clients and to recognize and resolve any material conflicts of interest that may arise in the course of such voting. Proxies will be voted in accordance with our proxy voting guidelines by our investment staff unless an exception is warranted. Oaktree’s Compliance Department reviews all proxies prior to submission. The receipt of each proxy, the communication of the votes to third parties, and the maintenance of all supporting documentation will be coordinated by our Accounting and Operations staff.

Clients in Managed Accounts may retain the right to vote on proxies. However, where clients delegate the responsibility to Oaktree, they may not direct us to vote in a particular manner. In these instances, proxies will be voted in accordance with our internal policies.

If you would like additional information regarding how we have voted on specific proxies, or a copy of our proxy voting policies and procedures, please forward your written request to the attention of Rodney Vencatachellum, Managing Director/Chief Compliance Officer, at Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California, 90071.

## ITEM 18. FINANCIAL INFORMATION

Oaktree has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.